GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3951
ANSWERED ON:09.12.2016
Municipal Bonds
Nayak Shri B.V.

Will the Minister of FINANCE be pleased to state:

a) whether municipal bonds are currently being used to generate finance for municipalities and if so, the details thereof;

b) the amount of money currently invested in municipal bonds across India, State/UT-wise;

c) whether the Government has taken steps to promote investment in long term municipal bonds for infrastructures projects like smart city mission; and

d) if so, the details thereof including amending relevant laws to enable municipalities across the country to credit setting for raising funds from the market?

Answer

MINISTER OF STATE FOR FINANCE & CORPORATE AFFAIRS

(SHRI ARJUN RAM MEGHWAL)

(a) & (b) Yes Madam, Urban Local Bodies (ULBs) can borrow through issuance of Municipal Bonds. The money raised by way of issuance of municipal bonds is used to supplement the financial resources of the ULBs, which include, inter alia, the Grants received from Central and State Governments and ULBs own tax revenue. Municipal bonds have been issued to mobilize funds by Municipalities in the past. As per the information available, more than a half dozen of Municipalities/Parastatals have been granted permission to raise funds to the tune of Rs 1005.3 crore during the year 2001 to 2007 through Tax Free Municipal Bonds.

(c) & (d) Government of India is providing support to ULBs to mobilize financing through municipal bonds for investment in urban infrastructure under its flagship missions such as Smart City Mission (SCM). Ministry of Urban Development has empanelled nine (9) Transaction Advisory Firms for providing Technical Assistance to Urban Local Bodies in issuing Municipal Bonds for Smart City Projects under Capacity Building for Urban Development project. Besides, the SEBI has notified the 'Issue and Listing of Debt Securities by Municipalities Regulations, 2015' on 15th July, 2015, to enable the eligible Municipalities to raise funds through the issuance of Municipal bonds.

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